

## Theme 2: Poverty and Prosperity (PP)

In the centuries after 1450, Europe first entered and then gradually came to dominate a global commercial network. Building off the voyages of exploration and colonization, the commercial revolution of the 17th and 18th centuries involved a wide range of new financial and economic practices — such as joint-stock companies, widely capitalized banks, and triangular trade — all of which supported an emerging money economy. New commercial techniques and goods provided Europeans with an improved diet and standard of living. Wealth from commerce supported, in turn, the growth of industrial capitalism in subsequent centuries.

Commercial wealth helped transform a preindustrial economy based on guild production, cottage industry, and subsistence agriculture into one driven by market operations. While market mechanisms generated wealth and social position for some, they also destabilized traditional patterns of economic activity, such as when the wages of urban artisans and workers declined in the 16th century because of the price revolution. Still, commercial wealth generated resources for centralizing states, many of which, prior to the French Revolution, justified government management of trade, manufacturing, finance, and taxation through the theory of mercantilism. Mercantilism assumed that existing sources of wealth could not be expanded; accordingly, the only way to increase one's economic power over others was to gain a greater share of the existing sources of wealth. As a result, mercantilism promoted commercial competition and warfare overseas.

Market demands generated the increasingly mechanized production of goods through the technology of the Industrial Revolution. Large-scale production required capital investment, which led to the development of capitalism, justified by Adam Smith through the concept of the “invisible hand of the marketplace.” The growth of large-scale agriculture and factories changed social and economic relations. Peasants left the countryside to work in the new factories, giving up lives as tenants on landlords' estates for wage labor. Improved climate and diet supported a gradual population increase in the 18th century, and then came a seeming breakthrough of the Malthusian trap (the belief that population could not expand beyond the level of subsistence) with a population explosion in the industrial 19th century. Industrialization generated unprecedented levels of material prosperity for some Europeans, particularly during the second industrial revolution (1850–1914), when an outburst of new technologies ushered Europe into modern mass society.

Prosperity was never equally distributed, either geographically or by social class, and despite the wonders of the railroad and airplane, poverty never disappeared. Capitalism produced its own forms of poverty and social subjection. It created financial markets that periodically crashed, putting people dependent on wages out of work and wiping out investors' capital. Its trading system shifted production from expensive to inexpensive regions, reducing or holding down the wages of workers. By the 19th century, conditions of economic inequality and the resultant social and political instability across Europe raised questions about the role evolving nation-states could or should play in the economic lives of their subjects and citizens. Socialism argued for state ownership of property and economic planning to promote equality, and later, Marxism developed a systematic economic and historical theory that inspired working-class movements and revolutions to overthrow the capitalist system.

The devastating impact of two world wars and the Great Depression transformed pre-1914 economic patterns and complicated the task of governments in managing the unstable economic situation. Soviet Russia and its post–World War II satellites represented one path, while nations in Western and Central Europe modified laissez-faire capitalism with Keynesian budget and tax policies and an expanding welfare state. Consumerism, always an important factor in economic growth, took on even more importance in the second half of the 20th century, although not without criticism. Perhaps the most significant change since World War II has been the movement toward European economic unity and a common currency. Although policies of unity have supported Europe’s postwar economic miracle, they have also encountered challenges of a stagnating population, financial crises, and growing social welfare commitments.

### OVERARCHING QUESTIONS:

- ▶ How has capitalism developed as an economic system? (PP-1, 2, 3, 4, and 5)
- ▶ How has the organization of society changed as a result of or in response to the development and spread of capitalism? (PP-6, 7, and 8)
- ▶ What were the causes and consequences of economic and social inequality? (PP-9, 10, 11, and 12)
- ▶ How did individuals, groups, and the state respond to economic and social inequality? (PP-13, 14, 15, and 16)

### Learning Objectives

Students are able to ...

### Relevant Topics in the Concept Outline

<b>PP-1</b> Explain how and why wealth generated from new trading, financial, and manufacturing practices and institutions created a market and then a consumer economy.	1.4. IV	Rise of mercantilism
	2.2. I	Market economy
	2.2. II	European-dominated worldwide economic network
	2.3. III	New economic ideas espousing free trade and a free market
	2.3. V	Art and literature reflected the values of commercial society
	2.4. II	Consumer revolution of the 18th century
	3.1. I	Great Britain’s industrial dominance
	3.1. II	Industrialization of continental Europe
	3.1. III	Second industrial revolution
	3.2. IV	Development of a heightened consumerism
	4.2. IV	Postwar economic growth
<b>PP-2</b> Identify the changes in agricultural production and evaluate their impact on economic growth and the standard of living in preindustrial Europe.	4.3. IV	Increased imports of United States technology and popular culture
	4.4. I	Mass production, new food technologies, and industrial efficiency
	1.5. II	Commercialization of agriculture; codification of serfdom
	2.2. I	Agricultural Revolution
	2.2. II	Importation of agricultural products from the Americas
	2.4. I	Agricultural Revolution
	2.4. IV	Agricultural Revolution

**Learning Objectives**

Students are able to ...

**Relevant Topics in the Concept Outline**

<b>PP-3</b> Explain how geographic, economic, social, and political factors affected the pace, nature, and timing of industrialization in western and eastern Europe.	3.1. I	Industrial dominance of Great Britain
	3.1. II	Industrialization in continental Europe
	3.1. III	Second industrial revolution
	3.2. V	Some areas lagged in industrialization
	3.4. II	Russian reform and modernization
<b>PP-4</b> Explain how the development of new technologies and industries, as well as new means of communication, marketing, and transportation, contributed to expansion of consumerism and increased standards of living and quality of life in the 19th and 20th centuries.	4.2. I	Russia's incomplete industrialization
	3.1. III	New technologies and means of communication
	3.2. IV	Mass marketing, efficient methods of transportation, new industries
	4.3. II	Medical technologies
	4.4. I	Mass production, food technologies, industrial efficiency, communication and transportation technologies
<b>PP-5</b> Analyze the origins, characteristics, and effects of the post-World War II economic miracle and the economic integration of Europe (the Euro zone).	4.4. II	New modes of reproduction
	4.1. IV	World monetary and trade systems
	4.1. V	European economic and political integration
	4.2. IV	Postwar economic growth and welfare benefits
	4.4. I	Creation of a consumer culture
<b>PP-6</b> Analyze how expanding commerce and industrialization from the 16th through the 19th centuries led to the growth of cities and changes in the social structure, most notably a shift from a landed to a commercial elite.	4.4. II	Professional careers for women; the baby boom
	4.4. III	Increased immigration to Europe
	1.2. I	Commercial and professional groups gained in power
	1.5. I	New social patterns
	1.5. III	Expansion of cities; challenges to traditional political and social structures
<b>PP-7</b> Explain how environmental conditions, the Agricultural Revolution, and industrialization contributed to demographic changes, the organization of manufacturing, and alterations in the family economy.	2.4. IV	Increased migration to cities
	3.2. I	Development of new classes
	3.2. II	Migration from rural to urban areas
	3.3. II	Government reforms of cities
	1.5. IV	Family was primary social and economic institution
<b>PP-8</b> Analyze socialist, communist, and fascist efforts to develop responses to capitalism and why these efforts gained support during times of economic crisis.	2.2. I	The putting-out system
	2.4. I	Agricultural Revolution and population growth
	2.4. III	New demographic patterns; effects of commercial revolution
	3.1. III	Mechanization and the factory system
	3.2. II	Rapid population growth
<b>PP-9</b> Assess how peasants across Europe were affected by and responded to the policies of landlords, increased taxation, and the price revolution in the early modern period.	3.2. III	Altered family structure and relations
	3.3. I	Evolution of socialist ideology
	3.3. III	Labor unions
	4.2. I	The Russian Revolution
	4.2. II	The ideology of fascism
<b>PP-9</b> Assess how peasants across Europe were affected by and responded to the policies of landlords, increased taxation, and the price revolution in the early modern period.	4.2. III	The Great Depression
	1.5. II	Commercialization of agriculture and abolition of traditional rights
<b>PP-9</b> Assess how peasants across Europe were affected by and responded to the policies of landlords, increased taxation, and the price revolution in the early modern period.	2.4. IV	Migration from rural areas to cities

**Learning Objectives**

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**Relevant Topics in the Concept Outline**

<b>PP-10</b> Explain the role of social inequality in contributing to and affecting the nature of the French Revolution and subsequent revolutions throughout the 19th and 20th centuries.	2.1. IV	The French Revolution
	2.1. V	Napoleon's domestic reforms
	2.3. I	Challenge of rational and empirical thought to traditional values and ideas
	3.3. I	Development of ideologies
	3.4. I	The Concert of Europe; political revolts and revolutions
	3.4. II	National unification and liberal reforms
	3.6. II	Marx's critique of capitalism
<b>PP-11</b> Analyze the social and economic causes and consequences of the Great Depression in Europe.	4.2. I	The Russian Revolution
	4.2. II	Increased popularity of fascist ideology
	4.2. III	The Great Depression
<b>PP-12</b> Evaluate how the expansion of a global consumer economy after World War II served as a catalyst to opposition movements in Eastern and Western Europe.	4.3. I	Belief in progress breaks down
	4.2. V	Collapse of the Soviet Union
	4.3. IV	Criticism of United States' technology and popular culture
<b>PP-13</b> Analyze how cities and states have attempted to address the problems brought about by economic modernization, such as poverty and famine, through regulating morals, policing marginal populations, and improving public health.	4.4. III	Green parties; revolts of 1968
	1.5. III	Government regulation of public morals
	2.4. IV	Policing of marginal groups
	3.2. II	Overcrowding in cities
	3.3. II	Government reform of cities
<b>PP-14</b> Explain how industrialization elicited critiques from artists, socialists, workers' movements, and feminist organizations.	4.2. IV	Expansion of social welfare programs
	3.3. I	Socialist critiques of capitalism
	3.3. III	Political movements and social organizations
	3.6. I	Romantic writers' response to the Industrial Revolution
	3.6. II	Marx's critique of capitalism; realist and materialist themes in art and literature
	4.3. I	Belief in progress breaks down
<b>PP-15</b> Analyze efforts of government and nongovernmental reform movements to respond to poverty and other social problems in the 19th and 20th centuries.	4.3. IV	Criticism of United States' technology and popular culture
	3.2. III	Labor laws and social welfare programs
	3.3. II	Government expansion of functions
	3.3. III	Response of political movements and social organizations
	4.2. I	The Russian Revolution
<b>PP-16</b> Analyze how democratic, authoritarian, and totalitarian governments of the left and right attempted to overcome the financial crises of the 1920s and 1930s.	4.2. IV	Expansion of social welfare programs
	4.2. V	Social welfare programs in Central and Eastern Europe; perestroika
	4.2. I	Lenin's New Economic Policy; Stalin's economic modernization
	4.2. III	Dependence on American investment capital; attempts to rethink economic policies